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SUBJECT: BAVARIAN TAKE ON DOHA AND CLOSER TRANSATLANTIC INTEGRATION

¶1. In a discussion with senior officials from the Bavarian Ministry for Economic Affairs and the State Chancery, Embassy Berlin EMIN stressed the urgency of German and EU action to revitalize the Doha Development Agenda (DDA) now. He pointed to statements by Chancellor Merkel and other senior Germans about the need to act to make the DDA a success and that the window of opportunity seems likely to close with the March EU Council meeting.

¶2. The Bavarian officials were concerned large agricultural producers, in particular Brazil, view Doha primarily as a means of entry into EU markets. Bavarian farmers - who account for only about 3 percent of the GDP of a German state primarily known for electronics and other strong international high-tech industries - are not ready to "sacrifice their livelihood on the altar of globalization." While conceding that Bavaria, with its strong manufacturing base would be benefiting from a successful DDA, the state's officials admitted their position on the Round was "closer to France."

¶3. The Munich economic officials stated one way ahead was uncoupling assistance to farming from production, e.g., by treating farmers as environmental stewards. They conceded, however, that local farmers have resisted that scheme. EMIN also noted objections various partners have pointed out with such an approach.

¶4. Turning to press reports on the Chancellor's transatlantic economic initiative, the Bavarian government economic experts said there would be little enthusiasm for the initiative if it is supposed to develop some sort of economic fortress against China and India. The officials, however, saw the need for and benefit of further integration of the U.S. and EU economies, noting on the one hand, Bavarian firms such as Siemens or BMW, as well as small and medium-sized companies that have invested in the U.S., and U.S. firms on the other hand, including GE, that have operations in Bavaria.

¶5. Although Bavaria has no direct responsibility for trade policy, its state government can influence trade policy decisions at the federal level as a member of the coalition committee, through CSU deputies in parliament and CSU ministers in the federal government, as well as through its representation in the upper house, the Bundesrat.

¶6. Previous reporting from Munich is available on our SIPRNET website at www.state.sgov.gov/p/eur/munich/.